

Message Text

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14

ACTION XMB-07

INFO OCT-01 EUR-25 ISO-00 AID-20 CIAE-00 COME-00 EB-11

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FM AMEMBASSY OTTAWA

TO SECSTATE WASHDC 1673

INFO AMCONSUL HALIFAX

LIMITED OFFICIAL USE OTTAWA 2122

E.O. 11652: N/A

TAGS: ETRD, CA

SUBJECT: FDW TAPER ROLLER BEARING COMPANY, SAINT JOHN, NEW
BRUNSWICK/TAPER ROLLER BEARINGS MANUFACTURING PLANT

REF: STATE 172902: OTTAWA 1949

1. OUR 1949 OF AUGUST 17 REPORTED CONSIDERABLE INFORMATION
ON SUBJECT VOLUNTEERED TO US BY WILLIAM ANDERSON, AND SHOULD
BE READ TOGETHER WITH THIS MESSAGE.

2. ON EXPORT PROMOTION GROUNDS WE WOULD LIKE WITHOUT
RESERVATION TO RECOMMEND APPROVAL OF A PRELIMINARY
COMMITMENT TO SUPPORT THIS PROPOSED PROJECT WITH ITS
ESTIMATED U.S. CONTENT OF \$20 MILLION. WE HAVE, HOWEVER,
TO POINT OUT THAT THE PROJECT CONTEMPLATES CONSIDERABLE
PROPORTIONS OF BOTH CANADIAN FEDERAL AND PROVINCIAL GOVERN-
MENT SUBSIDY. THIS FACTOR, DEPENDING, I.A., UPON THE
EVENTUAL MARKETING PATTERN FOR THESE TAPER ROLLER BEARINGS,
COULD AT SOME FUTURE TIME CONCEIVABLY RAISE A PROBLEM OF
U.S. COUNTERVAIL.

3. WE HAVE GONE BACK TO ANDERSON WITH THIS IN MIND. HE
TELLS US THAT HE EXPECTS SHORTLY TO ENGAGE A CANADIAN
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CONSULTING FIRM TO MAKE AN INTERNATIONAL MARKETING
STUDY. HE EXPECTS THE BEARINGS TO BE SOLD PRIMARILY TO THE

AUTOMOTIVE INDUSTRY, INCLUDING RECREATION VEHICLES AND SNOWMOBILES, AND ALSO TO THE MACHINE TOOL AND FARM MACHINERY INDUSTRIES. HE WAS CANDID IN EXPRESSING HIS EXPECTATION THAT A "FAIR PERCENTAGE" OF THE PLANT'S OUTPUT WOULD BE DIRECTLY OR INDIRECTLY DESTINED FOR THE U.S. AUTOMOBILE MARKET. TO THE EXTENT THIS PROVES TO BE THE CASE, AND SUCH SALES QUALIFY AS "MOTOR VEHICLES AND ORIGINAL EQUIPMENT THEREFOR OF CANADIAN ORIGIN", THIS PORTION OF PLANT'S OUTPUT WOULD ENTER U.S. DUTY FREE UNDER AUTOMOTIVE AGREEMENT; AND DUTY-FREE STATUS PRESUMABLY WOULD REMOVE POTENTIAL COUNTERVAIL PROBLEM, AT LEAST UNDER EXISTING LAW (PASSAGE OF PROPOSED TRADE REFORM ACT OF 1973 MAY CHANGE THIS).

4. HAVING FLAGGED THE SUBSIDY ASPECT, WE NEVERTHELESS RECOMMEND APPROVAL, AS THAT ASPECT OF THE PROJECT INVOLVES TOO MANY IMPONDERABLES OVER A FUTURE OF FIVE YEARS DURING WHICH TIME IT MAY WELL PROVE THAT THERE IS NO CALL FOR U.S. COUNTERVAIL.

5. AS REPORTED IN OUR 1949, U.S. SUPPLIERS OF EQUIPMENT AND MACHINERY HAVE THE INSIDE, AND ONLY, TRACK AS FAR AS ANDERSON IS CONCERNED, AND FOREIGN COMPETITION DOES NOT APPEAR ON SCENE AT THIS TIME.
SCHMIDT

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